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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Stabilization and Conservation Service

THE VOLUNTARY WHEAT PROGRAM FOR 1964

A general explanation prepared especially for Agricultural
Stabilization and Conservation Committeeen.

The new wheat program passed by Congress and approved by the President amends the law under which the wheat program was to have been operated. The program for 1964 provided under the previous law had established the price support level at 50 percent of parity for all wheat growers who produced an acreage of wheat within their farm wheat acreage allotments. The national average price support would have been about \$1.25 a bushel. That price support contrasted with a national average support of \$2 per bushel for wheat producers who participated in the 1963 wheat program.

The new wheat legislation has four principal objectives:

1. To raise the income of wheat growers substantially above what it would have been in the absence of new legislation.
2. To avoid increases in the Government costs of wheat programs.
3. To maintain the costs of wheat to flour millers and other processors at a level which will not increase the price of bread to consumers.
4. To enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

The expected carryover of wheat in the United States from previous crops is now estimated to be about 825 million bushels on July 1, 1964, despite substantial export sales to Soviet bloc nations. A carryover of that size is much larger than desirable or necessary and is a heavy expense to the Government since most of the carryover is in the inventory of the Commodity Credit Corporation.

The newly authorized program will provide for the issuance of marketing certificates for a large part of

the 1964 wheat production. These certificates, with a cash value, will supplement the \$1.30 a bushel national average price-support loan for 1964 specified in the new legislation.

How the Voluntary Wheat Program for 1964 Works

The national wheat allotment.

The national wheat acreage allotment of 49.5 million acres for the 1964 crop was determined before the referendum held in May 1963. The provisions of law used for determining the national wheat acreage allotment and the national marketing quota (in bushels) for wheat are still in effect and are important in carrying out the provisions of the new legislation. Since the law provides for increases in allotments for certain farms with small wheat acreages, specifically those which had allotments of 15 acres or less, the total of all farm wheat allotments for 1964 is 53.2 million acres.

All wheat producers have been notified of their farm wheat allotments for 1964.

Farm marketing allocation.

As provided in the new legislation, the farm marketing allocation will be 90 percent of the normal production of the acreage allotment. This is the amount for which certificates may be issued. (See p. 3.)

Farm normal yields.

Farm normal yields were determined by ASC county committees and each wheat producer was notified of his farm normal yield for wheat at the same time that he

was notified of his 1964 farm wheat allotment. The normal yield for a farm is important in determining the number of bushels of wheat from a farm for which marketing certificates will be issued.

Signing up.

There is no provision for automatic participation. The signup for wheat producers who wish to take part in the new voluntary program will extend through May 15, 1964. Only those wheat producers who sign up and participate in the program will be eligible for payments, certificates, and price-support loans.

Diversion from wheat.

The program provides for cropland to be diverted from wheat to conservation uses. Not planting wheat on a given acreage does not in itself qualify that acreage as diverted acreage. To qualify, the acreage is to be devoted to an approved conservation use.

Smallest acreage for diversion.

The smallest acreage that may be diverted from wheat and devoted to conservation uses under the program is an acreage equal to 11.11 percent of the farm wheat allotment. That percentage represents the difference between the former national wheat acreage allotment of 55 million acres and the national allotment of 49.5 million acres established for 1964.

For example: The smallest number of acres that could be diverted from wheat on a farm with a 75-acre allotment would be 11.11 percent of 75, or 8.3 acres. Since the wheat allotment already represents a reduction in the farm's wheat acreage, 75 acres of wheat could be produced on this farm unless the operator desired to signup to voluntarily divert additional acres from wheat production.

Additional voluntary diversion.

In addition to the minimum diversion of an acreage equal to 11.11 percent of the farm wheat allotment, a producer may elect to divert an acreage up to 20 percent of his farm allotment or, in the case of farms with small allotments, enough more acreage to make a total of 15. If the farm allotment is 13.5 acres or less, the maximum additional diversion acreage is the allotment.

For example: On a farm with a 1964 allotment of 75 acres, the voluntary diversion could be as much as 20 percent of 75 acres, or 15 acres. That 15 acres would be in addition to the minimum 11.11 percent (8.3 acres) of the farm allotment, for a total diversion from wheat

on the farm of 15 acres plus 8.3 acres, or 23.3 acres. This diversion would leave 60 acres of the allotment available for growing wheat (since the 8.3 acres had already been subtracted when the 1964 allotment was established). The whole 23.3 acres would be eligible for a diversion payment provided they were devoted to approved conservation uses and other program provisions were carried out.

On a farm with a 20-acre allotment, the maximum diversion would be 11.11 percent of the allotment (2.2 acres) plus enough more acres (12.8) to bring the total diversion to 15 acres. This would leave 7.2 acres on which wheat could be produced. The acres eligible for the diversion payment, if devoted to conservation uses, would be 15 acres.

On a farm with a 12-acre wheat allotment, the entire allotment could be voluntarily diverted for payment since the total acreage diverted, minimum plus additional, would not be greater than 15 acres.

Conservation use of diverted acres.

Conservation uses include:

1. Permanent-type or rotation cover of grasses and legumes.
2. Temporary cover of grasses or legumes.
3. Wildlife food or habitat plantings.
4. Trees or shrubs.
5. Other conservation uses.

Each ASC county office has a list of conservation uses that have been approved for the county. Each participant will be given a copy of the list of approved conservation uses for his county.

The diverted acreage on a farm is not to be harvested and is not to be grazed except as approved by the ASC county committee.

Planting approved substitute crops on diverted acres.

Castor beans, guar, safflower, sesame, or sunflower may be planted on the acreage diverted from wheat. If this is done, the rate of diversion payment on the diverted acreage planted to one of the approved substitute crops will be a percentage of the wheat diversion payment rate for the farm. The percentages are as follows:

Castor beans	50 percent
Guar	50 percent
Sesame	50 percent
Safflower	No diversion payment
Sunflower	30 percent

Diverted wheat acreage used for the approved substitute crops is counted in meeting the total diverted acreage that the operator of a farm agreed to divert when he signed up to take part in the program.

Rate of diversion payment.

The rate of payment for each acre that qualifies as a diverted acre will be uniform on each participating farm. The rate per acre for a farm is one-fifth of the county price-support loan rate multiplied by the normal yield of wheat for the farm.

For example: A farm in a county for which the price-support loan rate is \$1.30 a bushel has a normal yield of 24 bushels to the acre. The diversion payment rate per acre would be: $1/5$ of \$1.30 = \$0.26

$\$0.26 \times 24 \text{ bu.} = \6.24 diversion payment per acre.

Price-support loans.

The national average price-support loan rate for wheat produced in 1964 is \$1.30. The loan rate will vary from county to county and by classes. In addition, appropriate premiums and discounts will apply.

Price-support loans will be available for all the farm-stored and warehouse-stored wheat produced on farms participating in the program.

To qualify for price-support loans.

A grower who signs up to participate in the program and fulfills all the following conditions will be eligible for price-support loans or purchases:

1. Produces within his farm wheat allotment;
2. Does not exceed the allotment for any other crop on his farm;
3. Produces wheat within the wheat allotment on any other farm in which he has an interest; and
4. Devotes an acreage at least equal to 11.11 percent of his wheat allotment to approved conservation uses in addition to maintaining in customary conservation uses an acreage equal to the conservation base for his farm.

(The conditions of eligibility for price-support loans are the same as the conditions of eligibility for certificates.)

Marketing certificates.

The total number of bushels of wheat for which a participating farm may be eligible for certificates is determined by applying the marketing percentage (determined by the Secretary to be 90 percent for 1964) to the normal production of the farm wheat allotment.

For example: A farm with a 75-acre allotment and a normal yield of 24 bushels per acre would be eligible for marketing certificates on 1620 bushels of wheat, determined as follows: The normal production of the farm wheat allotment would be 1800 bushels (24 bushels times 75 acres). Since the maximum number of bushels for which certificates can be issued is 90 percent of the normal production of the farm wheat allotment (in this case 1800 bushels) the calculation would be:

$$90\% \times 1800 \text{ bu.} = 1620 \text{ bu.}$$

Two kinds of certificates.

There will be two kinds of marketing certificates issued—domestic marketing certificates and export marketing certificates—with each kind having a different value. The domestic certificates will have a value of 70 cents a bushel and the export certificates a value of 25 cents a bushel.

For 1964, half of the farm marketing allocation (45 percent of the farm allotment's normal production) represents wheat for use as domestic food. This portion of the marketing allocation for a farm is called the domestic marketing allocation. It represents the wheat on the farm for which domestic marketing certificates will be issued. Using the same example as previously—a farm with a 75-acre allotment and a normal yield per acre of 24 bushels—the maximum number of bushels for which domestic marketing certificates could be issued would be:

$$24 \text{ bu.} \times 75 \text{ acres} = 1800 \text{ bu.} \text{ (the normal production from the farm allotment)}$$

$$90\% \times 1800 \text{ bu.} = 1620 \text{ (the farm marketing allocation)}$$

$$45\% \times 1800 \text{ bu.} = 810 \text{ bu.} \text{ (the farm domestic marketing allocation, which is the maximum number of bushels for which domestic marketing certificates could be issued)}$$

The part of the marketing allocation representing the amount of wheat used for exports is called the export marketing allocation, determined also to be half of the farm marketing allocation (or 45 percent of the farm allotment's normal production). The certificates issued for the export marketing allocation are called export marketing certificates. The maximum number of bushels of wheat for which export marketing certificates will be issued for a farm with a 75-acre allotment and a normal yield of 24 bushels would be:

$$24 \text{ bu.} \times 75 \text{ acres} = 1800 \text{ bu.} \text{ (the normal production from the farm allotment)}$$

$$90\% \times 1800 \text{ bu.} = 1620 \text{ bu.} \text{ (the farm marketing allocation)}$$

$45\% \times 1800 \text{ bu.} = 810 \text{ bu.}$ (the farm export marketing allocation—the maximum number of bushels for which export marketing certificates would be issued for the farm)

Qualifying for certificates.

A wheat producer will qualify for certificates if he meets all the following conditions:

1. Sign up to participate in the program.
2. Produce an acreage of wheat within the farm wheat allotment.
3. Produce an acreage of wheat within the wheat allotment for any other farm in which the producer has an interest.
4. Keep within the acreage allotments for other crops on the farm. (Feed grains are not allotment crops.)
5. Devote an acreage at least equal to 11.11 percent of the farm wheat allotment to conservation uses in addition to maintaining an acreage in conservation uses equal to the conserving base for the farm.

(The conditions of eligibility for certificates are the same as the conditions of eligibility for price-support loans.)

Noncertificate wheat.

Farmers who participate in the program and produce more bushels of wheat than the bushels for which certificates are issued will have produced some wheat that is called noncertificate wheat. Although such wheat is not eligible for certificates, it is eligible for a price-support loan based on a national average of \$1.30 a bushel.

Certificates for farms with voluntary diversion.

Whenever the normal yield per acre for a farm multiplied by the acres of wheat planted for harvest results in a total number of bushels that is less than the farm marketing allocation, the number of bushels for which certificates will be issued is reduced to the normal yield times the acres so planted.

Assume that the operator of the farm—example used previously—75-acre allotment and a 24-bushel-per-acre normal yield—diverted 10 acres of the allotment out of wheat production into conservation uses. Also assume that he planted 65 acres of wheat for harvest. The maximum number of bushels for which certificates would be issued was previously figured (see marketing certificates, page 3) to be 1620 bushels.

With 65 acres of wheat planted for harvest and a normal yield of 24 bushels, certificates would be issued for 1560 bushels ($65 \text{ acres} \times 24 \text{ bu.} = 1560 \text{ bu.}$) rather than the possible maximum of 1620 bushels. The reduction in certificates issued would first be made in export certificates. For example:

The farm would get domestic marketing certificates for 810 bushels.

$1560 \text{ bu.} - 810 \text{ bu.} = 750 \text{ bu.}$ (the amount of wheat for which export marketing certificates would be issued)

Using this same farm allotment of 75 acres and a normal yield of 24 bushels, the farm would receive its full share of domestic marketing certificates (but no export certificates) as long as the normal wheat production on the acres planted for harvest did not fall below 810 bushels. In this instance, as little as 33.77 acres could be planted to wheat and still result in normal production of 810 bushels, for which domestic marketing certificates would be available.

Landlord and tenant shares of diversion payments and certificates.

The certificates for a farm are to be divided between landlord and tenant in the same proportion as the wheat crop is divided. The diversion payment will be divided between the landlord and tenant as they agree.

The farm conservation base.

The ASC county committee will establish a conservation-use base for each farm participating in the program. This base is used in both the feed grain program and the wheat program. One of the conditions of eligibility for diversion payments, price-support loans, and certificates is the maintenance of an acreage of conservation use equal to the conservation base. Acres diverted from wheat to conservation uses are in addition to the farm's conservation base or the conservation-use requirements of any other program in which the farm is participating.

Farmers' intentions and diversion payments.

Farmers who sign up but fail to divert as many acres of their wheat allotment as specified in their signed intentions will not be eligible for the diversion payment. For example: If a farmer signs up to divert 30 acres of his wheat allotment to conservation use and diverts only 20 acres, no diversion payment will be made. If, however, the minimum diversion has been made and other program provisions carried out, the farmer would be eligible for certificates and price-support loans on his wheat.

No advance payment in 1964.

No advance payments will be made in 1964. However, the diversion payments will be made and certificates issued as soon as possible after performance has been checked.

Crop failure.

Since the certificates issued are based on the acres of wheat planted for harvest and the normal yield for the farm, the appropriate value in certificates will be issued whether or not the acreage planted for harvest, because of bad weather or other unavoidable hazard, produces only part of a crop or no crop at all.

Signup dates.

Since there is no provision for automatic participation, every wheat producer who wants to take part in the program will need to declare his intentions and sign an agreement. This may be done in the ASC county office for the county in which the producer's farm is located. The signup period will extend through May 15, 1964.

Feed grains and wheat.

It is not necessary for wheat producers to participate in the 1964 feed grain program to be eligible for participation in the 1964 voluntary wheat certificate program.

Program provisions regarding substitution of wheat for feed grain acreage will not be available in 1964. Any acreage devoted to wheat production on a participating farm will count as wheat acreage.

Handling certificates.

Certificates issued to participating wheat producers may be redeemed for cash at the ASC county office. Certificates so redeemed will be sold by the Commodity Credit Corporation to flour millers, other processors, and exporters.

Examples of participation in the 1964 Wheat Program

Examples of participating farms illustrating diversion payments, price-support loans and certificates follow. In all these examples, it is assumed that an acreage of conserving use equal to the conservation base for the farm is maintained and the acreage diverted from wheat is devoted to approved conservation uses.

1. A farm with a 1964 wheat allotment of 90 acres and a normal yield of 20 bushels to the acre. The county price-support loan rate is \$1.30 a bushel. The entire allotment planted to wheat. The minimum diversion would be:

$$11.11\% \times 90 \text{ acres} = 10 \text{ acres} \text{ (for diversion payment).}$$

The marketing allocation for the farm would be:

$$90 \text{ acres} \times 20 \text{ bu.} \times 90\% = 1620 \text{ bu.} \text{ (the total marketing allocation).}$$

Domestic marketing certificates would be issued for $45\% \times 1800 \text{ bu.} = 810 \text{ bu.}$

Export marketing certificates would be issued for $45\% \times 1800 \text{ bu.} = 810 \text{ bu.}$

The certificate value would be:

$$810 \text{ bu.} \times \$0.70 = \$567.00 \text{ (domestic certificate value)}$$

$$810 \text{ bu.} \times \$0.25 = \$202.50 \text{ (export certificate value)}$$

The diversion payment would be figured as follows:

$$20 \text{ bu.} \times \$1.30 \times 20\% = \$5.20 \text{ diversion rate per acre.}$$

$$10 \text{ acres} \times \$5.20 = \$52 \text{ diversion payment for the 10 acres diverted.}$$

Price-support loan value of the wheat:

$$90 \text{ acres} \times 20 \text{ bu.} \text{ (actual yield)} = 1800 \text{ bu. total production}$$

$$1800 \text{ bu.} \times \$1.30 = \$2340$$

The wheat from the farm would be eligible for a price-support loan on all of the production.

Total for the wheat crop:

Diversion payment	\$ 52.00
Domestic marketing certificates	567.00
Export marketing certificates	202.50
Price-support loan	2340.00
Total	<u>\$3161.50</u>

2. If the same farm used in example 1 above (90-acre allotment; 20 bu. normal yield; \$1.30 price-support loan) had 40 acres of wheat planted for harvest in 1964, the participation results would be:

Minimum diversion: $11.11\% \times 90 \text{ acres} = 10 \text{ acres}$

Maximum additional diversion for payment: $20\% \times 90 \text{ acres} = 18 \text{ acres}$

The total acres for which the diversion payment could be made would be:

$$10 \text{ acres} + 18 \text{ acres} = 28 \text{ acres}$$

The diversion payment rate per acre would be the same as in example 1:

$$20 \text{ bu.} \times \$1.30 \times 20\% = \$5.20$$

The total diversion payment would be:

$$28 \text{ acres} \times \$5.20 = \$145.60$$

The domestic marketing certificate value would be:

$$90 \text{ acres} \times 20 \text{ bu.} = 1800 \text{ bu. (normal production of allotment)}$$

$$90\% \times 1800 \text{ bu.} = 1620 \text{ bu. (farm marketing allocation)}$$

$$45\% \times 1800 \text{ bu.} = 810 \text{ bu. (the greatest number of bushels that could be eligible for domestic marketing certificates)}$$

The normal production of the 40 acres planted in wheat for harvest would be:

$$40 \text{ acres} \times 20 \text{ bu.} = 800 \text{ bu. (the bushels for which domestic marketing certificates would be issued)}$$

$$800 \text{ bu.} \times \$0.70 = \$560 \text{ (total value of domestic marketing certificates)}$$

There would be no export marketing certificates issued because the normal production of the planted wheat acreage was less than the maximum number of bushels for which domestic certificates could be issued.

If the farm produced a normal yield, the price-support loan value of the wheat would be:

$$40 \text{ acres} \times 20 \text{ bu.} \times \$1.30 = \$1040.$$

The total for the above farm would then be:

Diversion payment	\$ 145.60
Domestic marketing certificates	560.00
Loan value	1040.00
Total from program participation	\$1745.60

If the season turned out to be good and the actual yield was 30 bushels to the acre instead of 20 bushels, the only difference would be that there would be 1200 bushels of wheat available to place under price-support loan instead of 800 bushels as figured above. (No certificates would be available for the extra 400 bushels produced because the certificates are based on "normal yield.") The 1200 bushels for loan eligibility would in-

crease the total from program participation by \$520 to a total of \$2265.60. The producer would not need to place the 1200 bushels under loan if the market would pay him more.

3. The same farm (90-acre allotment; 20-bu. normal yield and a county price-support loan rate of \$1.30), but 70 acres are planted to wheat:

$$\text{Minimum diversion: } 11.11\% \times 90 \text{ acres} = 10 \text{ acres}$$

$$\text{Maximum additional voluntary diversion: } 20\% \times 90 \text{ acres} = 18 \text{ acres}$$

$$\text{Diversion payment rate per acre: } 20 \text{ bu.} \times \$1.30 \times 20\% = \$5.20$$

Total diversion payment:

$$28 \text{ acres} \times \$5.20 = \$145.60$$

Maximum bushels for which certificates could be issued: $20 \text{ bu.} \times 70 \text{ acres} = 1400 \text{ bu.}$ (This 1400 bushels is the normal yield of the acres planted for harvest. If 90 percent of the allotment had been planted, certificates could have been issued for 1620 bushels.)

Maximum bushels for domestic marketing certificates: $45\% \times 1800 \text{ bu.} = 810 \text{ bu.}$

Bushels for export marketing certificates: $1400 \text{ bu.} - 810 \text{ bu.} = 590 \text{ bu.}$

Total domestic marketing certificate value:

$$810 \text{ bu.} \times \$0.70 = \$567$$

Total export marketing certificate value:

$$590 \text{ bu.} \times \$0.25 = \$147.50$$

If the crop actually harvested was equal to the normal yield, there would be:

$20 \text{ bu.} \times 70 \text{ acres} = 1400 \text{ bu.}$, which could be placed under price-support loan at \$1.30 a bushel or sold on the market. The loan value would be \$1820.

Total from participation in the program:

Diversion payment	\$ 145.60
Domestic marketing certificates	567.00
Export marketing certificates	147.50
Loan value	1820.00
Total	\$2680.10

(This explanation is provided to help in the general understanding of the 1964 wheat program. It does not replace official instructions and regulations applicable to individual farm situations.)

E R R A T A

PA 619, THE VOLUNTARY WHEAT PROGRAM FOR 1964

Page 3

Delete the whole section except the title under "To qualify for price-support loans." Substitute the following wording under this title:

Any wheat grower who produces within his 1964 farm wheat allotment will be eligible for a wheat price-support loan or purchase for the wheat from that farm.

Page 4

Delete the three lines in parentheses at the end of the section titled "Qualifying for certificates."

USDA-ASCS

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